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COMMITTEE ON SMALL BUSINESS  
SUBCOMMITTEE ON SBA AND SBIC AUTHORITY,  
MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS  
UNITED STATES HOUSE OF REPRESENTATIVES  
REGARDING DISADVANTAGED BUSINESS ENTERPRISE  
JUNE 5, 1985

Mr. Chairman and members of the Subcommittee:

I am pleased to be here this morning to report on the efforts and accomplishments of UMTA and its grantees in implementing the provisions of section 105(f) of the 1982 STAA.

As you may recall, when I appeared before this subcommittee last September, I reported that in FY 1983 the disadvantaged business enterprise (DBE) participation level in UMTA-assisted contracts was 14.3 percent -- well over the 10 percent statutory requirement. We now have data from FY 1984 that indicate an even higher DBE participation level: of a total of just under \$2 billion in total contracting opportunities, \$293 million, or 14.94 percent, was awarded to DBEs by UMTA grantees in FY 1984. I want to emphasize that these and other amounts and percentages I will be discussing reflect actual contract awards, representing real business use.

In assessing these figures, I am pleased to report that high DBE participation by UMTA's grantees is found in every region of the country. Not one of UMTA's regions reported a DBE participation rate as low as 10 percent. It is also significant that in our direct procurement program, fully 27 percent of UMTA's procurement dollars were awarded to 8(a) contractors.

I am confident that DBE participation will remain at high levels in the current fiscal year. Of our more than 400 grantees, only two have requested UMTA's approval of FY 1985 DBE goals of less than 10 percent.

#### Actions Taken to Implement Section 105(f)

UMTA is undertaking a variety of steps to administer and implement section 105(f). A basic step is our review of grantees' DBE programs to assure that all applicable components are incorporated and addressed.

We also review grantees' overall DBE goals to assure that DBEs have maximum opportunity to participate in UMTA-assisted projects. If from these reviews we find serious deficiencies in the DBE program, UMTA would not approve any pending grant applications.

To assure that grantees, including transit vehicle manufacturers, are implementing all facets of their programs and attaining their goals in the current fiscal year, UMTA is emphasizing on-site reviews. To date in FY 1985, UMTA has conducted 17 such reviews of grantees and 2 of transit vehicle manufacturers. By the end of the fiscal year, we anticipate having reviewed at least 20 additional grantees and 4 additional transit vehicle manufacturers. During FY 1984, 12 DBE on-site reviews of grantees were conducted.

UMTA continuously provides technical assistance to assure implementation of section 105(f). Beginning this fiscal year, UMTA issued an internal order identifying the responsibilities and authority of UMTA Headquarters and Regional Offices and the procedures to follow in the administration of the program. UMTA also issued a Circular to all grantees that provides guidance and assistance on components that must be included in grantees programs. The Order and Circular supplement earlier guidance publications that include a publication, in "questions-and-answers" format, that explains specific provisions of the Departmental regulation and a publication, issued jointly with the Federal Highway Administration, that answers the most commonly asked questions and provides data on how DBEs can participate as contractors on mass transit projects.

Throughout the fiscal year, UMTA monitors grantees' efforts to use DBEs by reviewing their Quarterly Progress Reports. These reports have been computerized in UMTA Headquarters so that data regarding each recipient's most current utilization of DBEs are readily available. To date, information contained in the Quarterly Progress Reports has not covered ethnicity. We have requested our grantees to collect this information beginning with the third quarter of this fiscal year (April through June, 1985). The form by which grantees will report ethnic data was included in the Circular issued to all grantees. We would like to note that this new form is a Departmental initiative which UMTA is implementing.

### Removing Barriers to DBE Participation

Barriers that tend to reduce minority participation in contracting opportunities are the same in transit as in other industries: namely, the tendency to rely on established business relationships; various technical and managerial deficiencies; and a lack of financing on the part of DBEs--including bonding market access. UMTA continues to use its section 20 Human Resources program to address these barriers. UMTA, like FHWA, held a series of regional DBE/grantee conferences in 1984, which had as one purpose the expansion of the grantee-contractor network to include DBEs.

I would like to note that a "networking" project has been implemented in one of the States that this subcommittee has recently heard testimony from. An award to the Florida State Conference of NAACPs has allowed that organization to identify DBEs for grantee procurements in six communities in that State. Aggregate FY 1984 DBE participation in these communities increased from 7.4 percent to 11.3 percent of total UMTA-assisted contracting opportunities. Incidentally, we have recently approved additional funds to continue this project and to add three additional Florida communities as implementation sites.

As part of its overall DBE support program, UMTA encourages transit operators to develop local projects of technical and managerial assistance for DBEs that are performing on industry contracts. UMTA provides financial support for these efforts through grants under section 20. Since enactment of section 105(f), UMTA has approved no fewer than 10 separate awards for projects of

technical and managerial assistance to DBEs. These projects involve programs that are implemented locally, State-wide, and region-wide. UMTA also uses section 20 funds to help develop national programs in support of the purpose of section 105(f). The series of DBE/grantee conferences that I mentioned earlier was partially funded under section 20.

#### Certifications and Participation of New Firms

The DOT Minority Business Enterprise regulation requires each grantee to determine the eligibility of firms as DBEs. UMTA does not routinely collect information from its grantees about the number of certification actions. However, in response to this Subcommittee's request for these numbers, UMTA has surveyed a sample of grantees and developed national estimates based on the responses. UMTA estimates that its grantees certified about 6,500 DBE firms in FY 1983 and almost 9,000 in FY 1984. Of these firms, UMTA estimates that 1,900 (or one third) of the firms certified in FY 1983 and 6,500 (or two thirds) of the firms certified in FY 1984 were newly established firms. Grantee DBE officers surveyed also had the impression that section 105(f), in addition to creating an incentive for the formation of these new DBEs, also encouraged a number of existing firms in other fields to expand into transit-related operations.

UMTA's information on DBE participation does not distinguish among participating firms on the basis of the length of time they have been established. Consequently, we are unable to tell how many contracts have been received by newly established DBE firms, as opposed to DBE firms in general.

#### Compliance/Enforcement

UMTA does not collect data concerning denials of initial applications for certification or recertifications. We estimate that our recipients decertified some 400 firms in FY 1983 and about 700 in FY 1984.

One means we use to ensure compliance is to require a grantee to provide its DBE goals before approving its grant applications. The same situation would apply if UMTA finds serious programmatic deficiencies in a grantee's DBE program. UMTA uses the following procedures to ensure compliance: (1) making certain appropriate grant contract language commits recipients to meeting goals; (2) closely monitoring DBE quarterly progress reports to determine how well a grantee is meeting its goals; and (3) conducting, as necessary, on-site reviews of grantees.

If a grantee has failed to meet its DBE goal, which could lead to non-compliance, the grantee is required to submit an explanation for non-attainment to UMTA. If the explanation is unsatisfactory, in that it shows circumstances were not beyond its control and the DBE goal could have

been attained, UMTA may take several actions. These include: not approving pending grant applications; requiring the recipient to take remedial action; and, as necessary, requiring the recipient to consider raising the subsequent year's goal, assuming sufficient contracting opportunities are available for DBEs. The recipient's failure to take remedial action may result in suspension or termination of UMTA funds.

My colleagues and I will be happy to answer your questions at this time.

